

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Alternative Investments
Activity Status Report

ITEM NUMBER: 14

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: May 5, 1999

INFORMATION: X

PRESENTER(S): Mr. Desrochers

The table below contains Alternative Investment activity for the month of March 1999 and historical information for selected time periods.

	Month Ended 3/31/99	Fiscal Year To Date	Past One Year	Past Three Years	Inception To Date
Commitments:					
Partnerships	0	779,418,828	1,539,418,828	3,297,376,745	5,159,054,021
Co-Investments	0	0	0	47,000,000	47,000,000
Contributions:					
Partnerships	59,104,906	520,850,416	670,789,503	1,497,638,553	2,478,176,609
Co-Investments	0	0	0	47,000,000	47,000,000
Distributions:					
Cash	14,534,972	224,431,566	387,119,645	943,048,120	1,189,421,498
Stock		128,247,394	155,040,618	379,790,665	521,070,899
Stock Sales	79,860,062	127,826,303	133,631,869	347,594,861	453,381,450

Attachment 1 contains a summary of partnership commitments and capital accounts from the inception of the Alternative Investment program through March 31, 1999.

Attachment 2 contains an executive summary of action taken under delegation of authority for a commitment of \$27.5 million to Chisholm Partners IV, L.P.

CalSTRS ALTERNATIVE INVESTMENTS									
PARTNERSHIP COMMITMENTS AND CAPITAL SUMMARIES									
MARCH 1999									
Partnerships	Type	Date STRS Approved	Closing Date	Fund Size	CalSTRS Commitment	Amount Funded	Returned Capital	Net Invested Capital	Income & Gain
Alpine Technology Partners	VC	Sep-94	Dec-8-94	60,000,000	60,000,000	38,000,000	1,257,680	36,742,320	1,927,015
Alta V	VC	Apr-92	May-27-92	159,470,000	20,000,000	20,000,000	6,269,040	13,730,960	23,371,027
Alta Communications VI	SS	Apr-96	May-09-96	161,200,000	20,000,000	19,000,000	0	19,000,000	0
Alta Communications VII	SS	Jun-98	July-09-98	271,490,000	30,000,000	6,000,000	0	6,000,000	0
Austin Ventures V	VC	Jan-97	Jan-16-97	170,000,000	15,000,000	9,000,000	125,599	8,874,401	0
Austin Ventures VI	VC	Nov-98	Nov-24-98	320,000,000	22,000,000	3,265,625	0	3,265,625	0
Bank Fund III	SS	Jan-93	Jan-22-93	125,000,000	10,000,000	10,000,000	0	10,000,000	6,691,579
BCI Growth III	SS	Feb-90	Mar-30-90	135,500,000	15,000,000	15,000,000	13,933,131	1,066,869	12,844,521
BCI Growth IV	SS	Mar-95	Oct-25-95	175,253,000	25,000,000	18,235,886	1,409,280	16,826,606	2,724,161
Blackstone Capital Partners II	LBO	Oct-93	Nov-03-93	1,271,400,000	91,128,203	76,529,871	17,162,316	59,367,555	31,541,795
Blackstone Capital Partners III	LBO	Jun-97	Jun-27-97	3,750,000,000	323,945,000	67,065,260	0	67,065,260	14,566
Boston Ventures IIIA	SS	Apr-89	Apr-27-89	286,000,000	35,598,029	35,612,559	30,244,319	5,368,240	35,670,511
Boston Ventures IVA	SS	Oct-92	Nov-10-92	515,000,000	55,312,500	49,228,125	35,656,983	13,571,142	40,406,476
Boston Ventures V	SS	May-96	Sep-30-96	808,080,000	90,000,000	27,720,662	461,249	27,259,413	6,974,872
Candover 1994	LBO	Mar-94	May-18-94	490,000,000	32,900,000	22,991,969	6,660,059	16,331,910	15,139,091
Candover 1997	LBO	Nov-97	Dec-10-97	1,411,000,000	150,000,000	25,678,822	0	25,678,822	0
Charterhouse Equity Partners	LBO	Jul-89	Jul-27-89	264,900,000	31,712,480	28,160,105	13,506,150	14,653,955	37,025,723
Charterhouse Equity Partners II	LBO	Jun-93	Dec-17-93	291,250,000	46,636,000	40,567,797	15,570,412	24,997,385	50,337,143
Cornerstone Equity Investor IV	VC	Nov-96	Dec-6-96	550,000,000	40,000,000	20,400,000	923,400	19,476,600	277,249
Corporate Partners	SS	Apr-88	Jun-24-88	1,396,000,000	100,000,000	88,498,525	65,235,471	23,263,054	83,489,182
CVC European Equity Partners	LBO	Nov-95	Feb-27-96	630,000,000	40,000,000	37,161,127	2,706,501	34,454,626	5,466,838
CVC European Equity Partners II	LBO	Apr-98	Jun-03-98	2,500,000,000	300,000,000	119,022,403	0	119,022,403	161,137
Cypress II	LBO	Jan-99	Feb-08-99	2,500,000,000	278,125,000	97,550	0	97,550	0
Domain Partners III	VC	Jan-95	Feb-24-95	125,000,000	10,000,000	9,000,000	692,169	8,307,831	2,441,280
ECI 5	LBO	Nov-94	Apr-27-95	128,000,000	16,000,000	14,200,467	3,960,720	10,239,747	7,697,835
First Reserve Fund VI	SS	Jan-92	Jan-29-92	184,184,000	25,000,000	25,000,000	10,304,900	14,695,100	15,630,049
First Reserve Fund VII	SS	Jan-97	Feb-21-97	243,900,000	25,000,000	18,546,825	1,783,702	16,763,123	2,797,818
First Reserve Fund VIII	SS	Apr-98	Apr-16-98	800,000,000	100,000,000	8,956,981	0	8,956,981	0
FS Equity Partners III	LBO	Mar-93	Aug-26-93	559,800,000	60,000,000	59,170,463	18,696,492	40,473,971	23,787,101
FS Equity Partners IV	LBO	Oct-97	Dec-31-97	915,000,000	87,500,000	33,361,959	0	33,361,959	0
Golder, Thoma, Cressey III	SS	Dec-91	Dec-12-91	235,000,000	4,633,908	4,633,908	2,218,557	2,415,351	15,941,592
Golder, Thoma, Cressey IV	SS	Mar-93	Apr-06-93	312,000,000	35,000,000	34,562,500	12,814,203	21,748,297	31,162,317
Golder, Thoma, Cressey V	SS	Jul-96	Jul-26-96	521,000,000	40,000,000	33,800,000	106,404	33,693,596	791,228
InnoCal Fund	VC	Jan-93	Apr-1-93	75,800,000	75,000,000	61,200,000	6,021,221	55,178,779	95,105,666

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Partnerships	Type	Date STRS Approved	Closing Date	Fund Size	CalSTRS Commitment	Amount Funded	Returned Capital	Net Invested Capital	Income & Gain
InterWest Partners IV	VC	May-89	Jun-16-89	110,000,000	10,000,000	10,000,000	3,353,423	6,646,577	11,441,030
InterWest Partners V	VC	Apr-93	Jun-17-93	175,000,000	15,000,000	15,000,000	1,363,554	13,636,446	43,812,486
InterWest Partners VI	VC	Jun-96	Jun-27-96	175,000,000	15,000,000	10,800,000	0	10,800,000	0
Kelso Investment Advisors V	LBO	Jan-93	Dec-23-93	710,000,000	56,018,750	46,692,333	10,649,606	36,042,727	47,787,293
Kelso Investment Advisors VI	LBO	Feb-98	Mar-98	1,500,000,000	150,000,000	2,861,712	0	2,861,712	0
KKR 1996 Fund	LBO	Oct-96	Dec-20-96	6,012,000,000	322,190,304	140,089,623	0	140,089,623	1,277,530
Madison Dearborn	LBO	Jun-92	Dec-18-92	550,000,000	50,000,000	48,160,749	10,449,657	37,711,092	25,149,674
Madison Dearborn II	LBO	Apr-96	Jun-27-96	925,000,000	60,000,000	48,702,983	0	48,702,983	0
Madison Dearborn III	LBO	Jan-99	Jan-26-99	2,173,000,000	300,000,000	0	0	0	0
Marlborough Capital	SS	Mar-91	Apr-01-91	70,700,000	10,000,000	9,873,150	5,062,967	4,810,183	3,841,517
Mayfield VII	VC	Nov-92	Dec-28-92	165,000,000	10,000,000	10,000,000	1,959,149	8,040,851	7,448,908
MC Venture Partners IV	VC	Dec-98	Dec-17-98	250,000,000	25,000,000	625,000	0	625,000	0
Media/Communications II	SS	Apr-90	Dec-20-90	167,000,000	30,000,000	30,000,000	16,833,550	13,166,450	39,901,873
Media/Communications III	SS	Dec-96	Dec-24-96	265,000,000	30,000,000	24,031,716	0	24,031,716	0
Mezzanine Lending Assoc III	SS	Feb-89	Mar-08-89	500,000,000	50,000,000	38,024,875	19,683,393	18,341,482	32,742,666
NEA V	VC	Mar-90	May-29-90	200,000,000	25,000,000	25,000,000	11,714,910	13,285,090	54,522,765
NEA VI	VC	Oct-93	Dec-22-93	230,000,000	35,000,000	35,000,000	4,647,017	30,352,983	19,465,631
NEA VII	VC	Nov-96	Nov-19-96	265,000,000	40,000,000	32,000,000	2,039,078	29,960,922	2,455,025
NEA VIII	VC	Jul-98	Sep-25-98	550,000,000	50,000,000	10,000,000	0	10,000,000	0
OCM Opportunities Fund II	DEBT	Sep-97	Oct-31-97	1,500,521,000	25,000,000	21,250,822	0	21,250,822	63,014
Penman Fund	LBO	May-93	Oct-05-94	88,700,000	8,339,215	5,555,544	550,282	5,005,262	170,803
Phildrew Ventures IV	LBO	Sep-95	Nov-13-95	257,000,000	20,000,000	17,231,459	3,121,095	14,110,364	2,426,102
Spectrum Equity Investors III	SS	Dec-98	Dec-17-98	656,500,000	65,000,000	4,225,000	0	4,225,000	0
Stonington Capital Appreciation	LBO	Sep-94	Dec-15-94	992,000,000	92,240,938	67,298,109	0	67,298,109	96,280
Summit Subordinated Debt Fund	SS	Feb-94	Mar-14-94	335,000,000	10,000,000	9,000,000	8,702,084	297,916	2,634,583
Summit Subordinated Debt Fund II	SS	Jan-97	Jan-31-97	141,400,000	20,000,000	8,000,000	1,332,286	6,667,714	610,033
Summit Ventures III	VC	Jan-92	Jan-23-92	279,200,000	15,000,000	13,500,000	10,106,780	3,393,220	28,970,440
Summit Ventures IV	VC	Jul-95	Jul-31-95	610,000,000	30,000,000	27,000,000	5,950,006	21,049,994	12,418,116
Summit Ventures V	VC	Feb-98	Feb-13-98	1,000,000,000	45,000,000	12,375,000	0	12,375,000	758
Syndicated Communications II	SS	Nov-89	Nov-01-90	35,000,000	7,037,039	7,037,039	4,445,680	2,591,359	5,184,781
TA/Advent VIII	VC	Oct-96	Nov-4-96	800,000,000	10,000,000	4,250,000	0	4,250,000	5,229
Thoma Cressey VI	SS	May-98	May-19-98	450,000,000	60,000,000	4,800,000	0	4,800,000	500
Thomas H. Lee Equity Fund III	LBO	Oct-95	Dec-28-95	1,345,000,000	106,727,742	71,067,921	30,566,088	40,501,833	32,575,730
Thomas H. Lee Equity Fund IV	LBO	Jan-98	Feb-09-98	3,450,000,000	163,721,413	40,936,380	0	40,936,380	3,390

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Warburg, Pincus Investors	SS	Jun-89	Sep-27-89	1,775,000,000	100,000,000	100,000,000	79,443,528	20,556,472	44,836,960
Warburg, Pincus Ventures	SS	Jul-94	Nov-04-94	2,022,000,000	110,000,000	110,000,000	8,344,380	101,655,620	7,186,183
WCAS Debt II	DEBT	Sep-90	Oct 03-90	354,000,000	30,000,000	30,000,000	8,299,021	21,700,979	22,382,890
WCAS Debt III	DEBT	May-97	May-30-97	1,279,000,000	100,000,000	30,000,000	0	30,000,000	1,506,262
WCAS V	LBO	Dec-88	Jan-27-89	371,363,636	30,000,000	30,000,000	14,494,861	15,505,139	82,392,821
WCAS VI	LBO	Apr-93	May-12-93	604,000,000	50,000,000	50,000,040	7,273,778	42,726,262	20,674,444
WCAS VII	LBO	Sep-95	Oct-06-95	1,425,000,000	150,000,000	127,500,000	2,836,617	124,663,383	4,528,638
WCAS VIII	LBO	Jun-98	Jun-30-98	3,150,000,000	300,000,000	54,000,000	0	54,000,000	0
Whitney 1990	SS	Nov-90	Mar-28-91	136,400,000	17,287,500	16,617,765	7,613,858	9,003,907	21,867,053
				\$60,391,011,636	\$5,159,054,021	\$2,478,176,609	\$548,556,606	\$1,929,620,003	\$1,129,799,180
Co-Investments									
Bridge Financial Info. - WCAS VII	CI	Jul-96			30,000,000	30,000,000	0	30,000,000	0
Hines Holding - Madison Dearborn II	CI	Nov-96			17,000,000	17,000,000	17,000,000	0	3,842,198
					47,000,000	47,000,000	17,000,000	30,000,000	3,842,198
Types: LBO (Leveraged Buyout)	Notes: #14 Commitment to Candover 1994 is 20 million British pounds.								
VC (Venture Capital)	#15 Commitment to Candover 1997 is 84 million British pounds								
SS (Special Situation)	#20 Commitment to CVC European Equity Partners is in US, equivalent ECU is 30 million.								
CI (Co-Investment)	#23 Commitment to the ECI 5 Fund is 10 million British pounds								
DEBT (Debt Related)	#51 Commitment to Penman was reduced via amendment 11/98								
	#52 Commitment to Phildrew Venutres IV is 12.3 million British pounds.								

Alternative Investment

EXECUTIVE SUMMARY OF ACTION TAKEN
UNDER DELEGATION OF AUTHORITY
CHISHOLM PARTNERS IV, L.P.

Action: Commit \$27.5 million to Chisholm Partners IV, L.P. which represents 10% of the total capitalization of the fund.

Background: The General Partners began working together at Fleet Equity Partners in January 1986. Until 1993, Fleet Financial Group was the sole source of capital. In 1993, Chisholm Partners II was formed to co-invest with Fleet Equity Partners, and in 1996 Chisholm Partners III was formed for the same purpose. With the other principals of Chisholm IV who have joined the firm over the last nine years, they have made 57 investments. Of the 57 investments, 30 were made only with Fleet's capital, and the other 27 were made by Fleet and one of the two Chisholm partnerships. Of the 30 investments made with only Fleet's capital, three active investments remain.

Analysis: Chisholm Partners IV qualifies as a new fund as identified in the Alternative Investments' policies.

Chisholm's investment strategy is designed to maintain flexibility in terms of the types of transactions the Fund will target. The Partnership will seek majority and minority equity investments with the structure and size reflecting the risk profile of the opportunity.

The investment professionals are organized into four investment teams that specialize in six segments of the economy: business services, consumer products and services, healthcare services, industrial manufacturing, media and information, and telecommunications services. Each of the investment teams has invested in a range of situations, including growth financings, recapitalizations, and leveraged acquisitions.

Investment Thesis: 1) The Chisholm IV Fund is consistent with approved targets and ranges to invest 16% of the Alternative Investment portfolio in venture capital partnerships.
2) Fleet Equity Fund and Chisholm II each generated investment returns in excess of the upper quartile Venture Economics benchmark. Performance for Chisholm III is too early to be meaningful.
3) The management team are very experienced venture capitalists.

- 4) Chisholm offers co-investment opportunities. CalSTRS' strategy is to co-invest, up to 30% of CalSTRS' committed capital, with a partnership.
- 5) The Chisholm investment strategy provides a good fit in the CalSTRS' portfolio. There is only one portfolio company holding in common with CalSTRS' current partnerships.
- 6) Staff has received a positive investment recommendation from Pathway Capital Management.

Policy Compliance: This decision complies with the portfolio's policies and procedures, which were approved on June 3, 1998 by the Investment Committee. A positive written recommendation by the Alternative Investment's advisor and CalSTRS' staff has been documented. This resulted after an investment analysis and due diligence was conducted in the manner as previously reviewed and approved by the Investment Committee.

Recommendation: Staff recommends that CalSTRS commit \$27.5 million to Chisholm Partners IV. CalSTRS' commitment is subject to the successful negotiation of partnership terms and legal review.

By:

Trish Taniguchi
Investment Officer

Date_____

Approved:

Réal Desrochers
Director of Alternative Investments

Date_____

(Mr. Mitchell signed original investment recommendation
dated March 26, 1999)

Patrick Mitchell
Chief Investment Officer

Date_____